

D-7863

No. D. 7863

Form A

SHANGHAI MUNICIPAL POLICE
S. M. C. REGISTRY

N. S. D.

Date

Headquarters,

Shanghai Municipal Police,

April 15, 1937.

SUBJECT

**Anti S.M.C. article published by the National
Herald and other local Chinese Newspapers**

The Commissioner presents his compliments to The Secretary,
S. M. C.
and begs to forward herewith the following documents relative
to the subject referred to above

1. Copy of a Police Report dated April 10, 1937.
2. Copy of Anti-S.M.C. article published in local
Chinese newspapers.
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April 10, 1937.

Anti S.M.C. article published by the National Herald and other local Chinese newspapers

The article entitled "Trade Associations Issue Manifesto in Opposition to S.M.C. Rate Increase", which is grossly anti-Council and inflammatory in tone, was published on April 5, 1937, in all the principal Chinese daily newspapers, with the exception of the Shun Pao which printed an abridged version. Enquiries at the editorial office of the National Herald, 150 Ningpo Road, reveal that the information was received from the Sin Sun (新聲) News Agency, Lane 420, House 9, Foochow Road, which distributed mimeographed copies of the article to the various newspapers for publication. The copy received by the National Herald was shown to a member of the Special Branch whose request for a loan of it was, however, refused. It is said that the Sin Sun News Agency obtained the information from either the Chinese Chamber of Commerce or the Chinese Ratepayers' Association because Mr. Yen Ngoh Sung (嚴子衡) Manager of the agency, is General Secretary of both of these organisations.

Enquiries at the office of the Chinese Censorship Board indicate that the censors did try to suppress the article in its entirety, but owing to the opposition of the Chinese press generally, they allowed the article to be published in revised form, certain parts containing violent expressions being deleted. The most objectionable part advocated a general strike as the most effective weapon to bring the British people into terms, quoting as example the strike which occurred in Hongkong in 1927.

Mr. Ying Tsz-ling (蔭志齡) Chairman of the Special District Office of the Shanghai Municipality Public Riots Owners' Association, was interviewed at Headquarters on

April 6 and stated that he had no knowledge of the manifesto prior to its appearance in the newspapers and that his office had not given permission for its name to be used in conjunction with the other public bodies in issuing the manifesto. He was of the opinion that the Ricsha Owners' Association referred to in the manifesto must be the Nantao Office of the Shanghai Municipality Public Ricsha Owners' Association.

Copies of this manifesto were also distributed through the medium of the Doh Kung (大 公 報) News Agency, 545 Kiukiang Road.

The original manuscript of the manifesto was obtained on loan by Supt. Tan Shao Liang from Mr. Chen Kuh Zung, the Chief Censor, and a full translation is attached herewith.

CERTIFIED TRUE COPY.

E. J. C. M. Lam

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SHANGHAI MUNICIPAL POLICE.

File No.

REPORT

Special Branch ~~Section~~

Date April 10 19 37.

Subject..... Anti-S.M.C. article published by the National Herald and
..... other local Chinese newspapers.

Made by..... and..... Forwarded by..... C.D.I. Ross

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SHANGHAI MUNICIPAL POLICE.

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REPORT

Station,

Date.....19

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Subject.....

Made by..... Forwarded by.....

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The original manuscript of the manifesto was obtained on loan by Supt. Tan Shao Liang from Mr. Chen Kuh Zung, the Chief Censor, and a full translation is attached herewith.

C. D. I.

Deputy Commissioner in Charge.

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Photograph
attached.
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TRADE ASSOCIATIONS ISSUE MANIFESTO IN OPPOSITION
TO S.M.C. RATE INCREASE

One hundred and fifty local trade associations including the Sea Products Dealers' Association, the Medicine Dealers' Association, the Cotton Dealers' Association, the Transportation Companies' Association, the Silk Dealers' Association, the Ricksha Owners' Association, the Leather Box Dealers' Association, the Candle Dealers' Association, the Shoe Dealers' Association, the Wool Dealers' Association, the Fish Hong Owners' Association, the Chinese Medicine Store Owners' Association, the Foreign Dress Shop Owners' Association, the Furniture Dealers' Association, the Restaurant Owners' Association, the Egg Dealers' Association, the Fur Dealers' Association and the Building Contractors' Association, have jointly issued the following manifesto opposing the increase in the Municipal Rate :-

"At a time when the livelihood of the citizens is in a very depressed condition, the foreign lords who fatten on the blood and sweat of the Chinese people are utilizing the special influence of the Shanghai Municipal Council Meeting to further their exploitation of us by forcible and arbitrary means. The 14% Municipal Rate has now been increased to 16%. This is one of the cruel acts which the Imperialists so often commit.

"We do not express any fear, but we must not submit like lambs to dismembering by others any longer. We must firmly oppose the increase. Based on experience and lessons we received in the past, we must act in unison, otherwise we may get the same result as in our opposition to the increase in telephone charges. We request the whole body of citizens to unite and oppose the increase, and to take practical action instead of arguing on paper,

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If the S.M.C. refuses to rescind its decision for an increase in the Municipal Rate, we will not forget, in fact we will never forget about the general strike in 1927 when Hongkong was converted into Chuen Kong (translator's note: characters "Hongkong" may mean "perfumed river" while the meaning of "Chuen Kong" is "stinking river"); we will never believe that the authorities of the Shanghai Municipal Council are more autocratic than those of Hongkong or that the strength of the Shanghai inhabitants is inferior than that of our brethren in Hongkong. We should use our full energy in protesting against the increase in the Municipal Rate.

"1927 was the year in which the Chinese people roared. 1937 shall be the year of their emancipation. Let us seize our opportunity, consider the situation and fight all those enemies who exploit us. Let all who do not wish to be slaves come swiftly under the flag of war".

Translation of letter from Mr. Chen Kuh Zung
(陈克成), Chief of the Chinese Censorship Bureau,
to Superintendent Tan Shao Liang.

April 9, 1937.

Dear Shao Liang,

When you telephoned, I was out on business
and therefore you could not get a reply.

Regarding the manifesto issued by over 100
trade associations opposed to the increase of Municipal
Rate, this office has deleted from the original manuscript
the most inflammatory portion, so the complete article
was not published on April 5. I send you herewith the
original manuscript which must be returned to this
office in due course.

Chen Kuh Zung.

April 5, 1937,

Morning Translation.

National Herald and other local newspapers :-

TRADE ASSOCIATIONS ISSUE MANIFESTO IN OPPOSITION TO
S.M.C. RATE INCREASE

The Ricksha Owners' Association and 149 other trade associations of Shanghai yesterday issued the following manifesto opposing the increase in the Municipal Rate :-

"The foreign lords who fatten on the blood and sweat of the Chinese people are utilizing the Shanghai Municipal Council to further their exploitation of us. The 14% Municipal Rate has now been increased to 16%. This is one of the cruel acts which the Imperialists so often commit.

"We must not allow others to dismember us like this any longer. We must firmly oppose the increase. In doing this, we must act in unison, otherwise we may get the same result as in our opposition to the increase in telephone charges. We request the whole body of citizens to unite and oppose the increase, and to take practical action instead of arguing on paper. If the S.M.C. refuses to rescind its decision.....

"1927 was the year in which the Chinese people spoke. 1937 shall be the year of their emancipation. Let us seize the opportunity and fight our enemies. Let all who do not wish to be slaves come under the flag of war."

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COUNCIL TAXATION A Critical Survey

To the Editor of the

"NORTH-CHINA DAILY NEWS"

Sir,—Late as this contribution of mine is towards the controversy over the proposed rate increase of the S.M.C. and its subsequent postponement, I hope, you will be kind enough to accord it the privileges of your valuable space. That I have given careful thought to all sides of the question will be, I trust too, apparent.

Some of the utterances of the representatives of the Chinese community here, like those of other nationalities, may be open to criticism. The letter of the Chinese Ratepayers Association, as appeared in your correspondence columns of the 14th instant, is, however, worthy of the same notice as the official statements in favour and in defence of the rate increase. It represents the attitude of the actual majority of the ratepaying population here; is a display of the anxiety for a close and amicable co-operation with the non-Chinese communities here; and contains nothing but constructive, though unavoidably recriminative, criticisms and suggestions. In particular, the following extract gives the logic of that attitude:

We believe that the present financial stringency of the Council is the accumulative result of over-expenditure in the past several years. It is only by holding tight our purse-string that the Council will be induced to exercise restraint and use discretion in the handling of public finance.

This need not be taken as a special slight on the integrity and competence of the Council; the tendency to extravagance on the part of the governing body, when additions to the revenue are readily available, is in no way peculiar to our, if not model then at least unique, Settlement; and an opposition to an increase in taxation, whether justified or not, should rather be welcomed as a salutary check on that tendency.

It feels like crying over spilled milk to dwell too much on the past of the Council's finance, but the figures brought up in the letter mentioned about the rapid increase of expenditures and items such as resignation payments, exchange compensations, etc., are not easily overlooked. Credit is, however, due to the old Council for having lately, in response to public agitation, effected quite noteworthy economy. And, under the pressure of that agitation, we may look forward with confidence to the new Council's efforts in further judicious retrenchments and avoidance of new commitments of unwarranted generosity.

The recommendation from Chinese and Japanese quarters for a more liberal employ of their nationals in the senior positions in the Council, to some extent already heeded, though favouring of partiality, is, however, sound economically. Many Chinese, graduated in the best of universities, at home or abroad, are willing to work at what a mere clerk receives from S.M.C. I may cite a typical instance in Nanking, where 600 sat for the examination for four places at \$20 monthly, among which were several college graduates, including two returned students, one from Japan and one from the U.S.A.

In contrast to those who are unacquainted with the situation between Chinese and Europeans, we may consider the present situation

During the times of critical finance of 1932/3, Chinese governmental offices have introduced salary cuts sliding upwards to 50 per cent. That, of course, may be overdoing a good thing; but the S.M.C. surely would be able to find a more equitable gold mean. At the present, when prosperity is as yet around the corner, few would be optimistic enough to expect to escape the pinch of depression. We have seen times when no self-respecting foreign girl typist would work for less than \$150, but now we have applications from foreign males pouring in asking for \$40 upwards, with nary a one audacious enough to aspire to over \$100. What is sauce for the goose without the Council is certainly sauce for the gander within. As to the senior officer of the S.M.C., it is only to remember that, not so many weeks ago, some British members of the Cabinet received as little as £2,000 annually.

The Council, as well as the Foreign Ratepayers' Meeting, instead of being taken to task, is to be commended for the compromise in the form of postponement and possible reconsideration. It is really gratifying to note, alongside readiness for co-operation and compromise, as shown by the majority of the Chinese, many foreigners are alive to the fact that, if this cosmopolitan city is to be run smoothly and for the good of all, there must be more of international harmony and unity and less of the foreigner-versus-Chinese complex.

Mr. Arnhold, the retired Chairman of the S.M.C., more than once pointed out that the proposed increase represented a measly 20 cts. to each \$10 of rent assessment. Against this, allow me to say that, such sums, "though small in themselves, represent a heavy outlay in comparison with the incomes from which they are paid," to quote from your recent comments on the Chinese Income Tax.

It is safe to assert that the Chinese Ratepayers Associations have been speaking rather for the inarticulate, non-voting, ratepayers than its members, those who are paying in cents. As to the voting members, I am sure, not a few of them have been contributing towards charity and other public funds many times the amount that the proposed increase would represent. Personally, I am of the opinion that even a 20 per cent. increase would do no harm, if it does not affect adversely those who are paying in cents and if the added revenue is employed properly.

It is with reluctance that I cite the typical example of the Municipal Orchestra. Here we have a luxury which is being supported by all and enjoyed by a very few. And to think that with a solitary dollar I have had access to hundreds of millions worth of public parks, contributed, I do not

know to what extent, by those who cannot afford that dollar.

Your readers need not be alarmed at the prospect of my advocating Communistic or Bolshevik ideology; but, certainly, a more equitable way of collecting and spending may be asked. And, it is useless to argue that Shanghai is the lowest taxed city of the world, for it is the return received in proportion to the tax paid that counts.

This inequality of indiscriminate taxation is really not so very insurmountable. It would indeed be most desirable, if something akin to the Income Tax were introduced here too. Failing this, an accumulative scale of the rates could be considered. As to the spending, the interest that the Council has taken in problems such as Rickshaw, Housing, Food, etc., does promise a brighter future for the bulk, the poorer strata, of the population here. It is hoped that foreigners will join forces in pressing the new Council for more energetic progress and more concrete results in that direction.

U. K.

Shanghai, Apr. 25.

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Voters Urged To Supervise S.M.C. Finance

Association Solicits Co- operation For Balanc- ed Budget

The co-operation of all Chinese ratepayers in the International Settlement in supervising the Shanghai Municipal Council in its efforts for financial retrenchment is solicited in an open letter issued by the Chinese Ratepayers Association of the International Settlement yesterday.

In the success of the Council's efforts to cut down its expenses and develop new resources with a view to meeting its deficit, the letter points out, will lie the hope for the complete cancellation of the proposal for an increase in municipal rates.

The postponement of the enforcement until next year of the proposed hike in municipal tax originally set for July 1, the message continues, marked a victory of the campaign against such action by various groups of Chinese in Shanghai, notably the First Special District People's Association, the Chamber of Commerce and other bodies. The support among foreign ratepayers for the opinions of the Chinese on this

matter was evidenced at the ratepayers General Meeting held on April 14, the letter adds.

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COUNCIL FINANCE

Chinese Ratepayers' Views

To the Editor of the

"NORTH-CHINA DAILY NEWS"

Sir,—Constitutional anomaly of the Settlement, legacy of the antiquated past, has kept Chinese and Foreign Ratepayers apart. We are yet debarred from meeting each other in one assembly and discussing questions of common interest on the floor of the same house. This open letter is the medium through which we hope to acquaint you with our views as regards the proposed increase in the General and Special Municipal Rates and correlative Land Tax thereon originally fixed to take effect on July 1, in the current year, but now postponed for a period of six months.

The Chinese Ratepayers are reasonably sure that the Council could, if it only would, balance its Budget without having to have recourse to increased taxation. After a close scrutiny of the Municipal Budget, the Chinese Ratepayers believe that the Council's assessment of its income, especially in respect to the rates is made on too pessimistic a basis while the measures of economy aiming at curtailment of expenditure are halfhearted and taken with incorrect emphasis.

It must be pointed out that the revenue derivable from the rates constitutes a highly stable and reliable source of income to the Council which for the past one decade, no further, had shown steady and regulated increase year by year. The only drop occurred in 1936 when a decrease of \$700,000 was recorded. This, however, happened solely in the first half year. In the second half the tendency to recover soon showed itself, and the collection was 101 per cent. as compared with that for the corresponding half year of 1935 on cash basis and 98 per cent. on accrued basis. It is therefore with reason to predict for 1937 a receipt from this source, of an amount at least approximating the 1936 figure and with the record of the past decade as our indication reinforced by growing sign of economic recovery the expectation that the collection may even rise and begin to resume its normal rate of increase is certainly not inspired by undue optimism.

This steady increase of the Council's income was counteracted by a similar and at times greater increase in its expenditure. The present precarious financial position is due principally to the fact that during the years 1930 and 1931 while there was only normal increase in income there occurred an abnormal and disproportionate large increase in expenditure. And in 1932, while the total income showed a decrease of \$200,000 as compared with that for 1931, the total expenditure had shown an increase of approximately \$1,500,000 over the 1931 figure. If it is remembered that the Council is being owed from arrears in rates a startling sum of \$3,000,000 smaller in amount to that which it hopes to raise through increased taxation, the basic reason for the present financial stringency is not far to seek.

Of course, there have been measures of economy. While we note that a saving of \$500,000 has been effected from reduction in the cost of the Fire Brigade and of other items from abolition of the Municipal Council, we also note that the Council has not been able to

It must be emphasized that the Council's undue generosity to the senior staff has evoked comment in the foreign no less than in the Chinese communities. Similar views on the subject have found ventilation in Chinese and foreign press alike. As regards the proposed abolition of the Municipal Band and Orchestra, a cultural agency in time of prosperity but a luxury in times of stress, this has been sponsored by the Chinese as well as by a large body of the foreign community; and so is the mooted disbandment of the Russian Detachment which is aptly described by our foreign critic as a "Toy Army" too imposing in time of peace but too inadequate for purpose of war. The rapid increase in the expenditures of the principal Departments, especially the Police, the cost of which in 1932 was \$5,500,000 but rose to \$9,620,000 in 1931, an increase of \$4,000,000 in two years, has, we are sure, shocked the Chinese and foreign Ratepayers alike who censure in the question "Is there any limit to the expansion?"

It will be seen therefore that in vetoing the proposed increase and bringing to light the foregoing, the Chinese Ratepayers are in no way motivated by egoistic considerations, but are simply responding to the sound and judicious opinion of the foreign community. The Chairman of the Council in seeking to justify the increase has emphasized its meagreness and pointed out that to the resident paying a rental of \$10 per month the increase means only twenty cents. We wish our foreign friends to understand that the disapproval of the Chinese Ratepayers is not based on any pecuniary consideration such as the Chairman appears to insinuate. We believe that the present financial stringency of the Council is the accumulated result of over-spending in the past several years. It is only by holding tight our purse string that the Council will be induced to exercise restraint and use discretion in the handling of public finance. There is a principle involved, and the fact that Shanghai is the lowest taxed city in the world is no reason why Shanghai should be taxed higher.

It is gratifying that the Council has finally deemed necessary to accept an amendment to the Budget whereby the increase will be postponed for a period of six months. At our Annual Meeting, we adopted an amended resolution:

"Resolved that consideration of increase in the General and Special Municipal Rates and correlative Land Tax thereon not be passed by the Council be held in suspense until next year, and that the Council be ordered to take necessary steps to curtail unnecessary expenses and reduce rates, taxes and dues which are in arrears in the course of the current year."

The spirit of the resolution is clear. The Chinese Ratepayers will

welcome a similar resolution from the Foreign Ratepayers in spirit and in effect if not necessarily in letter.

SHAI CHINESE RATEPAYERS ASSOC.
Shanghai April 14.

FILE

EQUAL REPRESENTATION

SHANGHAI

At the annual meeting on Monday, the Chinese Ratepayers Association touched upon various municipal problems. Mr. Wang Hsiao-lai, Chairman of the Association, made a most explicit analysis of municipal finance and observed that if the Council could be led to dispense with the non-essential services and economise further in personnel expenses the deficit could have been easily met."

The discussion of the municipal budget, however illuminating, may be omitted for fear of repetition. The subject which should engage the serious attention of all residents, Chinese and foreign alike, is the Chinese demand for equal representation in municipal affairs. This demand is by no means new, but with the change of local conditions it is bound to gather more momentum with the passage of time.

Time was when the Chinese had no councillors of their own on the Council. Though official representation has now been realised to a limited extent, the foreign councillors are still in the majority and enjoy a commanding vote as against that of the Chinese. This inequity is hardly tenable in view of the preponderantly higher percentage of tax which the Chinese community pays annually into the municipal coffers.

A greater inequity, however, is to be witnessed in the absolute lack of voice in municipal problems on the part of the Chinese Ratepayers' Association. Each year the municipal budget, only to cite a notable instance, is submitted for approval to the Foreign Ratepayers' Meeting, but it is not so submitted to that of the Chinese. For all practical purposes the Chinese Ratepayers' Association is but an electorate for Chinese councillors each year besides exercising a few functions of minor importance among the Chinese themselves.

It is only logical, therefore, that the Chinese ratepayers should desire to make their Association an effective organ through which the administration of the International Settlement may be controlled in partnership with its sister association representing the foreign community. This desire, needless to point out, is well founded on more than one ground.

The amount of the municipal rate paid by the Chinese, as has often been suggested, should entitle the Chinese to as much effective voice in municipal matters as the foreign nationals regardless of its actual percentage. The principle of taxation without representation is not a sound principle which may be adopted in an international community like Shanghai; it is a principle which has already given rise to much misunderstanding and is capable of working greater mischief in the future.

From the population standpoint, the number of Chinese residents in the Settlement is much larger than that of all foreigners combined. If any national group is entitled to exercise control over municipal administration, it is easily the Chinese. The monopoly enjoyed by the Foreign Ratepayers' Meeting in the exercise of legislative power over the Council cannot be defended on the basis of equity or of elementary democratic principles.

From the standpoint of Chinese investment in the Settlement, we are sure that the Chinese are entitled to an effective representation in municipal affairs as much as, if not more than, all the foreign national groups put together. It may be added in passing that a major portion of the land in the Settlement, while registered under foreign names, is actually owned by the Chinese, and the question of taxation which so vitally affects them should certainly not be left entirely to the discretion of foreigners whose interest in Shanghai's future is at best of a transient nature.

Industrial undertakings, furthermore, the welfare of the Chinese community and the entire city. While it is difficult to see how the Chinese industrial community can be represented in the Council, it is not impossible to see how the Chinese industrial community can be represented in the Council.

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For these and other reasons the demand of the Chinese to exercise a control over municipal administration on an equal basis with the foreign ratepayers cannot be rejected without outraging the sense of fair play. What is more, the development of the Civic Center cannot but produce far-reaching effect on the Settlement itself. It would be highly advisable to enlist the support of the local Chinese residents for the purpose of co-ordinating official Chinese endeavor with that of the Council in the future growth of Shanghai as a whole. Chinese voice in municipal matters, in other words, will help to eliminate all possible conflict of interests between the Settlement and the Chinese Municipality of Greater Shanghai, while its absence is sure to dampen Chinese enthusiasm for the continued existence of the Settlement itself.

For the sake of closer Sino-foreign co-operation the legitimate aspirations of the Chinese should be heeded without further ado. The Chinese bear the lion's share in municipal progress; they should enjoy a fair share in the control over municipal administration. The demand is not exorbitant; it is the minimum condition in any self-respecting municipal government or quasi-municipal government.

OPEN LETTER TO FOREIGN RATEPAYERS

The following Open Letter to Foreign Ratepayers has been addressed to this journal by the Shanghai Chinese Ratepayers Association:

Fellow Ratepayers.—The constitutional anomaly of the Settlement, legacy of the antiquated past, has kept Chinese and Foreign Ratepayers apart. We are yet debarred from meeting each other in one assembly and discussing questions of common interest on the floor of the same house. This Open Letter is the medium through which we hope to acquaint you with our views as regards the proposed increase in the General and Special Municipal Rates and correlative Land Tax thereon, originally fixed to take effect on July 1, in the current year, but now postponed for a period of six months.

The Chinese Ratepayers are reasonably sure that the Council could, if it only would, balance its Budget without having recourse to increased taxation. After a close scrutiny of the Municipal Budget, the Chinese Ratepayers believe that the Council's assessment of its income, especially in respect to the rates, is made on too pessimistic a basis, while the measures of economy aiming at curtailment of expenditure are half-hearted and taken with incorrect emphasis.

It must be pointed out that the revenue derivable from the rates constitutes a highly stable and reliable source of income to the Council which for the past decade, if no farther, had shown steady and regulated increase year by year. The only drop occurred in 1936, when a decrease of \$700,000 was recorded. This, however, happened solely in the first half year. In the second half, the tendency to recover soon showed itself, and the collection was 101 per cent. as compared with that for the corresponding half year of 1935 on cash basis and 96 per cent. on accrued basis. It is therefore within reason to predict for 1937 a receipt, from this source, of an amount at least approximating the 1935 figure, and with the record of the past decade as our indication, reinforced by growing signs of economic recovery, the expectation that the collection may even rise and begin to resume its normal rate of increase is certainly not inspired by undue optimism.

Raising Expenditure

This steady increase of the Council's income was counteracted by a similar and at times greater increase in its expenditure. The present precarious financial position is due principally to the fact that during the years 1930 and 1931, while there was only normal increase in income, there occurred an abnormal and disproportionately large increase in expenditure. And in 1936, while the total income showed a decrease of \$300,000 as compared with that for 1935, the total expenditure had shown an increase of approximately \$1,300,000 over the 1935 figure. If it is remembered that the Council is being owed from arrears in rates a startling sum of \$2,500,000, similar in amount to that which it hopes to raise through increased taxation, the basic reason for the present financial stringency is not far to seek.

Of course, there have been measures of economy. While we note that a saving of \$200,000 has been effected from reduction in the cost of the Fire Brigade and of \$100,000 from abolition of superfluous offices, we also note that a lump sum of the former amount was paid to its Commissioner of Works on retirement; and, of the latter amount, to its Secretary on resignation, while it is true that the Council will save \$1,000,000 from staff economy, it is equally true that it will perpetuate a temporary benefit of exchange compensation amounting, in 1936, to \$1,880,000 and grant new exchange compensation to more than 90 Class "A" employees.

Band And Orchestra

It must be emphasized that the Council's undue generosity to its senior staff has evoked comment in the foreign no less than in the Chinese communities. Similar views on the subject have found ventilation in Chinese and foreign press alike. As regards the proposed abolition of the Municipal Band and Orchestra, a cultural amenity in time of prosperity but a luxury in time of stress, this abolition has been sponsored by the Chinese as well as by a large body of the foreign community and so is the mooted disbandment of the Russian Detachment which is aptly described by one foreign critic as a "Toy Army" too imposing in time of peace but too inadequate for purposes of war. The rapid increase in the expenditures of the principal Departments, especially the Police, the cost of which in 1929 was \$5,500,000 but rose to \$9,620,000 in 1931, an increase of \$4,000,000 in two years, has, we are sure, shocked the Chinese and foreign Ratepayers alike who concur in the question "Is there any limit to the expansion?"

It will be seen therefore that in vetoing the proposed increase and bringing to light the foregoing, the Chinese Ratepayers are in no way motivated by egoistic considerations, but are simply responding to the candid and judicious opinion of the foreign community. The Chairman of the Council, in seeking to justify the increase has emphasized its meagreness and pointed out that to the resident paying a rental of \$10 per month the increase means only 20 cents. We wish our foreign friends to understand that the

disapproval of the Chinese Ratepayers is not based on any pecuniary consideration such as the Chairman appears to insinuate. We believe that the present financial stringency of the Council is the accumulated result of over-spending in the past several years. It is only by holding tight our purse string that Council will be induced to exercise restraint and use discretion in the handling of public finance. There is a principle involved, and the fact that Shanghai is the lowest taxed city in the world is no reason why Shanghai should be taxed higher.

It is gratifying that the Council has finally deemed it necessary to accept an amendment to the Budget whereby the increase will be postponed for a period of six months. At our Annual Meeting, we adopted an amended resolution:

"Resolved that consideration of increase in the General and Special Municipal Rate, and correlative Land Tax thereon such as proposed by the Council be held in abeyance until next year, and that the Council be ordered to take adequate steps to curtail unnecessary expenses and recover rates, taxes and dues which are in arrears in the course of the current year."

The purport of the resolution is clear. The Chinese Ratepayers will welcome a similar resolution from you in spirit and in effect if not necessarily in letter.

SHANGHAI CHINESE RATEPAYERS ASSOCIATION.

Shanghai, April 13, 1937.

Rate Raise Postponement

ALL THINGS CONSIDERED, the Shanghai Municipal Council's decision for a compromise postponement of the proposed rate increase from July 1 to January 1 is probably the best way out of a bad situation even though it stands as one more monument to expediency. The Settlement desperately needs the money from extra rates, but it does not need a strike of Chinese ratepayers and that appears to have been the unavoidable alternative to postponement.

On the face of it, the attitude of the Chinese ratepayers has been thoroughly selfish and wrong-headed. But on the other hand many of these same Chinese ratepayers have been undergoing economic punishment beside which any potential difficulties of the hitherto well-financed Council must seem to them as nothing.

The findings of the Council's own Housing Commission are well worth re-examination by anyone who doubts that many thousands of Chinese in Shanghai are in a desperate plight economically—a plight where the payment of an extra dollar or an extra twenty cents looms up mountain-high.

In Shanghai, says the Sub-Committee on Economic Aspects, "probably no industrial family is adequately housed." People do not submit to inadequate housing because they enjoy it but because they are on a sub-subsistence level of existence. If they had money enough to pay more rates they would spend that money instantly on better lodging, or food. The "typical monthly family income of wage-earners" is found to be about \$25, of which only about \$5 a month can be paid in rent, or around \$1 per head. Even more significant is Appendix III in which it is declared: "It is found that neither the unskilled, nor semi-skilled, nor the skilled workers live within the wage earned" with the result that a whole population is sinking gradually into debt.

That is not a picture of people who can be expected to look with equanimity upon any slightest increase in living costs. Their reaction is to bare their teeth and fight; and can we blame them? If their education stretches to include some knowledge of municipal problems, even this is not likely to inspire them with desire to pay more rates with knowledge that their own thin time is not to be rather more closely matched than hitherto by those to share proceeds of those additional rates. Needless to say, such amenities as the municipal orchestra are so far above their comprehension that we may dismiss them from all calculation; yet we cannot dismiss from calculation their perhaps nebulous, yet tenaciously clung-to conviction that nobody else in the vicinity is quite as badly off as are they—the Chinese workers of Shanghai.

Yet on the other hand no one will argue that the level of the masses of Shanghai industrial workers should determine the level of administration in the Settlement. Anything even bordering upon such an admission would involve the deepest bankruptcy of the past and

The one thing which can be done is already being done in degree: to make the administration of Settlement affairs as business-like and economical as possible, and in particular to lose no opportunity to serve the special interest of the Chinese who after all both outnumber the foreign residents but likewise pay a majority of the Settlement's rate income.

It seems to us that in such matters as supporting the project of a diet kitchen experiment during this coming summer, the Council has been thoroughly on the right track. That project is small, but significant; from it can come much of tremendous benefit to underprivileged Chinese who are now subject to malnutrition and diet deficiency diseases which we are told can be overcome without extra cost for food if only the right foods, and methods of preparation, can be propagandized after suitable experiment which has been provided for. Publicity for such projects as this, in the Chinese press, should go a long way toward showing Chinese ratepayers that the Council is awake to Chinese needs.

We have no hesitation in saying that the record of the settlement has been consistently one of growing awareness of the necessity for giving Chinese residents of this area their just due, and perhaps (in such things as education) rather more than their exact due on a proportion of rates paid. But this fact must be made known, and where compromise can be achieved without surrender here should be an avoidance of costly clashes.

It is on this last ground, if no other, that justification for the present rate postponement can be found. This is not a time to provoke a fight by even the appearance of arbitrary action. We credit the Chinese Council members with full good faith in their undertaking to support the rate increase if given additional time, and it must be quite largely their task to show their people that such increase is necessary. Such a task will not be easy, considering the economic position of many of the

Chinese in the Settlement, and it must be handled with a firmness well diluted by tact and particularly by such methods of propaganda as may be at hand for educating the Chinese ratepayers concerning the full facts.

More than ever before, it will be necessary that these facts be open to the public and susceptible to the closest examination. Chinese are canny buyers and not given to purchase of "a pig in a poke". To them, a raise in rates is a matter where salesmanship is required—and the commodity is good government, trimmed with a new and welcome growing consciousness of social responsibility.

FILE
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RECEIVED
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Possible Delay In Rate Rise

Well-Informed Assertion
That Matter Is Under
Reconsideration

CHINESE OPPOSITION IS EXPLAINED

Indication was given last night from a highly reliable Chinese source closely connected with Shanghai Municipal Council affairs, that the date for the coming into effect of the budgetary proposal to increase the General Municipal Rate from 14 to 16 per cent may be postponed in deference to the wishes of the Chinese community.

The date set in the Budget, to be submitted for the approval of rate-payers at the Annual General Meeting to be held on Wednesday next, is July 1, but, according to the information given personally to a representative of "The Shanghai Times," there are further discussions in progress as a result of which developments might be expected.

Much opposition to the prospective increase has been expressed by Chinese Councillors and others, and it was in order to express that opposition that none of the Chinese members of the Council attended the meeting held on Wednesday afternoon. It was planned to issue a statement, through the Chinese Ratepayers' Association, yesterday afternoon, but, in consequence of an exchange of views with foreign members of the Council, no such statement was issued because of the prospect, it was said, that the Council would decide upon a postponement of the enforcement date.

The Chinese view, this journal was informed, was not opposition for all time to a rate increase, but opposition to an increase this year in view of the economic conditions prevailing. Further economy should first be attempted, and if it is then found that a rate increase is unavoidable, the Chinese councillors will give their support. But this should not be before next year—until there has been sufficient time to see how far further economies can help the Council to balance its budget.

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CHINESE BOYCOTT LAST MEET OF OLD COUNCIL

Councillors Absent As Protest Over Attitude On Municipal Rates

ARNHOLD SPEECH UNDER REVIEW

Present Body Concludes Year Filled With Notable Activity

As a gesture of protest against the tactics of the Shanghai Municipal Council in flouting and overriding their opposition to an increase in municipal rates, the five Chinese Councillors, as a body, absented themselves from the Council meeting yesterday.

A quorum, however, was obtained to hold the meeting, which heard the preliminary reading of Chairman H. E. Arnhold's speech to the Foreign Ratepayers' Meeting on April 14.

Yesterday's meeting was the last before the 1936-37 Council goes out of office next week. As the curtain was drawn to a year's stirring drama of municipal affairs, the last act, made prominent by the absence of the Chinese Councillors, depicted much of the strife which characterised the outgoing Council's career.

Recorded in the history book of Settlement politics during 1936 and 1937 is the efforts of the Council to tighten its purse strings, which provoked unbridled opposition during the entire course of the Councillors' 12 months' in office.

1st Tackle Fire Brigade

First act of the outgoing Council in trimming its expenditure was embodied in the Fire Brigade economy measures, which, by reducing watch towers, machines, fire stations and personnel, resulted in the saving of some \$250,000 a year.

The economy axe next fell on a number of temporary organisations set up during the past years by the Council. By January 1 this year, the Glacis Board and the Fives Information Office, both of which had done useful and necessary work for the Council, were abolished out of economic necessity. This measure again cut Council expenditure by a round \$100,000 a year.

Greatest of all the savings was worked out by the Staff Economy Committee, whose members, incidentally, provided the largest amount of argument and opposition. By revising pay schedules, cutting down benefits and other measures, the Council Committee succeeded in decreasing expenditure by \$1,000,000 a year. This measure was approved by the Council and will become operative July 1.

Seek Rate Increase

Climaxing its 12 months of axe-wielding activity, the Council shortly before going out of office sought to increase the revenue of the S.M.C. by recommending a 2 per cent increase in municipal rates. This question is now being strenuously opposed by the Chinese ratepayers, who threaten a "tax boycott" as retaliation.

Apart from financial problems, the Council, during the year, came face to face with the usual quota of thorny questions arising from the long-standing issues of public rickshas, outside roads and factory inspection.

The credit of finally settling the controversial factory inspection issue barely escaped the 1936-37 Council when the draft agreement it approved was thrown out by the Consular Body.

On the public ricksha question, the only accomplishment for which it will take credit is the proposed reduction of 484 rickshas. The enforcement of this measure was delayed until June following a compromise to avert a straight showdown with the ricksha owners.

Road Issue Climax

The chief development during the year on the extra-settlement road issue was the memorable tax siege

on a block of houses in the Yu Yuen Road area. After arousing much opposition and ill-feeling among Chinese residents, the Council decided to call off the war following a tentative fiscal arrangement with the City Government of Greater Shanghai.

Other highlights of the year included the problem arising out of the miscount of the ballots, the parking regulations, the boiler regulations and the new ruling on tuberculin-tested milk.

At the meeting yesterday five Council members, one American and four Chinese, were sitting for their last time. These members scheduled to retire are Mr. H. E. Arnhold, Chairman, Brig.-Gen. E. B. Macnaghten, Mr. W. J. Kerwick, Mr. G. E. Mitchell, and Mr. C. D. Calhoun.

FILE

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Tax Strike Threatened In Chinese Opposition To S. M. C. Rate Hike

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**Native Taxpayers Rally
Widespread Support
Against Increase**

**REPETITION OF
'27 EVENTS SEEN**

**Powerful Organizations
Express Solidarity
Against Paying**

Events which might easily lead to the re-enactment of the 1927 Settlement-wide tax strike are today rapidly moving toward a climax as the Chinese community continues its agitation against the decision of the Shanghai Municipal Council to ask for a 2 per cent increase in rates.

The first Special District Citizens' Association, which last week raised the general anti-tax hike war-cry, announced yesterday that it had addressed a letter to the Council asking the latter to retract its decision.

This letter is generally expected to bring matters to an issue, as the Council, in replying to the communication, has either to accept or reject the request put forward by the citizens' body.

As the campaign gathered force during the week-end, speculation was rife as to what step the Chinese would take in the event that the Council adhered to its time-honored "standpat" policy and turned down all overtures for a re-opening of the question.

Strike Not Improbable

Heads of the leading Settlement organizations, including powerful guilds, residents' associations and merchant groups, when contacted by *Tax China Press* yesterday did not deny that a strike against tax payments is within the realm of possibility if the hike, approved by the Foreign Ratepayers' General Meeting, is put into effect.

These people recalled that in 1927 Chinese Settlement residents successfully "boycotted" the 2 per cent rate increase which the Council wanted to put into operation at that time. The strike lasted for nearly a whole month, and in order to break the deadlock, Mr. Yu Ya-ching was finally asked to mediate.

As a result of the tax war, which was called mainly to fight the "taxation without representation" status then in effect the Chinese won the right of having three members of their nationality to sit on the Council.

In addition, the 2 per cent hike was changed into a "rate" to be paid by the Chinese residents only, and the Chinese members of the Council were returned to the Council in 1930.

Object To Methods

From the viewpoints of many Settlement Chinese residents, the present struggle against a rate increase is primarily based on their objection against "steamrollering" tactics used by the Council in getting the measure formally adopted. In other words, a portion of the Chinese ratepayers are incensed not by the rate hike per se, but by the allegedly high-handed methods used in driving the measure through.

It was pointed out that the strenuous objection raised against the hike by the Chinese Councillors, despite the fact that they represent a section of the community which pays more than 65 per cent of the Settlement taxes, was "muffled" and overridden. The resolution was driven through the Council with a bare majority of six against five votes.

For the Chinese ratepayers, the action of the Council has no available remedy. The financial measures, according to the present practice, will be brought up for approval or rejection at the Foreign Ratepayers' meeting. If it is endorsed by that body, the hike will become effective, and the decision of the foreign ratepayers will be final.

The Chinese Ratepayers' Meeting will not be asked to approve the measure, according to the present practice, and whatever action it might take will have no effect in preventing the measures from becoming operative.

No Redress

Thus, the Chinese ratepayers as a body, unendowed with the right to review the Council's financial measures, are compelled to take other effective steps to make its objection heard if its present anti-tax hike campaign is unheeded by the Council.

At the present time, although the general opinion of the Chinese ratepayers is unanimously against any form of rate increase, a compromise to settle the dispute is believed to be still acceptable. Such a compromise would have to include

the conditional postponement of the rate hike for, say, six months. In other words, the 2 per cent raise should be put off until January 1937. If the municipal financial condition is unimproved by that time, the rate increase would then put into operation.

Unless such a compromise or some other solution similar to that is worked out and put into effect, observers believe that the present situation will ultimately lead to an expensive and unpleasant showdown.

The Chinese Ratepayers Association of the French Concession, at a meeting held yesterday, decided to respond to the campaign of Chinese ratepayers of the International Settlement to oppose the 2 per cent increase in municipal tax proposed by the Shanghai Municipal Council.

The Association in Frenchtown was to send an official representation on the question to the Shanghai Municipal Council, while letters of sympathy and support will be sent to the Chinese Ratepayers Association of the International Settlement and other Chinese groups opposed to proposed hike in municipal rate.

S. M. F.

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CHINESE MUNICIPAL COUNCIL

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THE CHINA PRESS, SUNDAY, MARCH 28, 1937

**CHINESE GROUP
OPPOSES S.M.C.
RATE INCREASE**

A resolution to oppose the two per cent increase in municipal tax was unanimously adopted at a meeting of the First Special District People's Association held at 2 o'clock yesterday afternoon.

Mr. Ling Kang-hou, secretary-general of the Chinese Bankers Association in Shanghai, who presided over the meeting, called the attention of all those present to the proposed increase in municipal rate. A heated discussion ensued culminating in the adoption of the resolution.

The resolution provides that a representation be sent to the Shanghai Municipal Council urging the cancellation of the proposed increase; that both the Chinese and Foreign Ratepayers Associations of the International Settlement be asked to veto the proposal of the S.M.C.; that a joint meeting of all civic groups be convened to discuss appropriate measures to be taken on the matter and that a circular letter calling the attention of all ratepayers to the matter be issued.

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INTELLIGENCE
REPORT

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Chinese Vote Opposition To Rate Increase

Citizens Federation To
Forward Protest To
Shanghai Council

ALL PUBLIC BODIES
MAY MEET SOON

Orchestra, Russian S.V.C.,
Stressed As Abnormal
Settlement Expenses

At a tense meeting of the First Special District Citizens' Federation held last night strong opposition to an increase in municipal rates from 14 to 16 per cent. was registered and a long public letter was issued explaining why the powerful Chinese organization considered the Council's policy wrong, and urging the public to oppose it.

The meeting decided to petition the Council for reconsideration and abolition of the increase which was voted last week and decided to send letters to the Chinese and Foreign ratepayers' associations asking them to veto the Council's decision. If necessary, it was resolved, a joint meeting of all leading Chinese public bodies will be called to discuss methods of expressing opposition and to make preparations for "effective measures."

The meeting was presided over by Mr. Ling Kong-hou, Chairman of the Federation, who is himself a committeeman of the Council. He announced at the meeting that the representatives were asked to discuss and to resolve upon one question only, the increase of municipal rate from 14 to 16 per cent. on rentals which he said was too big a burden for Chinese ratepayers.

Following the Chairman's opening remarks, many stood up and expressed their opinions. After a long and heated discussion resolutions were passed.

Angry Over Chinese
The long public letter, released for publication by the meeting, stated that the decision to increase the rate was passed at the Council meeting in utter disregard of the opposition voiced by the five Chinese associations who represented the majority of ratepayers paying over 50 per cent. of the total of the municipal rate.

It also pointed out that the increase was a burden on the heavy Chinese ratepayers, as they are already paying the highest rates in the city. The letter also stated that the Council had no right to increase the rates without the consent of the public.

had usually been sound and for its shabby condition to-day its officials should be held responsible. In this connection, the exchange allowances for the foreign staff of the Council was said to be most unreasonable, as China has achieved stability in foreign exchange. During the World War period, when the exchange rate fluctuated violently to the advantage of foreign officials no reduction of salaries was proposed, it was complained.

Heavy Expenses

The maintenance of the orchestra and Russian company of the S.V.C., despite repeated opposition, and the alleged abnormal increase of police expenditure to nearly \$10,000,000, were said to be other factors that made the Council unable to balance its budget. The recent robbery in the Nanking Road Bank of Communications in broad daylight without any arrest, robberies committed in buses, demolition of huts, barricading of tenants in Yu Yuan Road, and arrest of hawkers and beggars were criticized. It was asserted that the municipal rates in arrears alone would amount to about \$2,000,000 and should the Council be able to collect this tax money, budgetary difficulties would be eliminated.

"Passive" Reasons Given

Several "passive" reasons were mentioned to explain the alleged inability on the part of the Council to balance its budget. These included the increase in price of practically every public utility in the Settlement, including water, electricity and telephone which further impoverished the ratepayers. The alleged unfair assessment of rentals upon which the municipal rate is based was said to be responsible for an abnormal condition in which the ratepayers in fact have been suffering from an increased tax. It forced many shops and factories to close or to move, which condition in turn reduced the revenue.

Concluding, the letter mentioned several incidents of inequality in the matter of treatment of Chinese ratepayers by the Council. Besides urging Chinese ratepayers to support the resolution calling for a veto of the order for the increase of municipal rate, it also asked for the right of casting the deciding vote in budgetary difficulties, a referendum, and representation of Chinese ratepayers on the Council in proportion to the amount of rate they paid.

Chamber's Opposition

The Shanghai District Chamber of Commerce has forwarded an official letter to the Council urging that the increase of municipal rate be reconsidered. It is pointed out in the letter that the rate increase is opposed by all Chinese councillors and that since the Council is based upon genuine co-operation between the Chinese and foreigners, the opposition should not be totally ignored. Retrenchment instead of tax increase is strongly recommended.

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THE CHINA PRESS, THURSDAY, MARCH 25, 1937

AN INCREASE IN RATE

As long as foreshadowed, the prospect for the residents to pay an additional 2 per cent by way of municipal rate is becoming surer than ever. The Shanghai Municipal Council has been working for months to try to balance its budget, and so far no apparent success has crowned its efforts. As the easiest way out the proposal to increase the municipal rate naturally commands a ready hearing.

While we may sympathise with the Council for its desire of a balanced budget, we cannot overlook the hard lot of the ratepayers. On the one hand, the average wage-earner in Shanghai has had to endure repeated pay cuts with no hope of their restoration to former level in the near future, while on the other the Council has continually granted increases in the charges levied by the public utilities. If the municipal rate should be increased at the present moment, the masses will be hit the hardest, and what the Council may gain will not be sufficient to counter-balance what the community may lose as the result of dissatisfaction and unrest.

If the Council had exhausted all means of economy, an increase in the municipal rate may perhaps be justified. Yet the Chinese members of the Council have repeatedly suggested certain measures which the Council has seen fit to ignore. For instance, we may cite the following:

1. The exchange allowance to foreign members of the Municipal staff which this year cost the S.M.C. around \$1,000,000;
2. The money spent in maintaining the Municipal Orchestra;
3. The annual expenses of supporting the Russian Regiment of the S.V.O.;
4. The staggering increase in the expenditure of the Police Force which this year cost the Council some \$2,000,000.

Until the Council has carried out these sensible measures of retrenchment or until it can offer valid explanation for its inability so to carry out, any proposal to impose further tax burden on the residents, irrespective of conditions elsewhere, will surely meet with general opposition.

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Opposition To 'Rates' Increase

**Chinese Councillors In
Meeting Decide On
Attitude**

Strong opposition to the expected increase in the municipal rate from 14 to 16 per cent. is prophesied from the Chinese members of the Shanghai Municipal Council, when the question comes up for discussion at the Council meeting this afternoon.

The Shing Sheng News Agency stated last night that Chinese members of the Council held a meeting yesterday on the question. Although what had been decided upon at the meeting remained a secret, the report asserted that Chinese Councillors were unanimous in their opposition to the rumoured rates increase.

More than 150 Chinese trade associations jointly forwarded a letter to the Chinese Ratepayers' Association of the International Settlement yesterday voicing their opposition to the proposed increase. It was pointed out in this letter that the policy was not a wise one at the period when numerous tenants were being sued in courts on account of failure to pay rentals. An increase of municipal rate would mean more vacant houses.

Instead of taxation, the letter stated, the Council should resort to a more effective retrenchment policy. The maintenance of the orchestra and the Russian Company of the S.V.C., etc., was criticised. The letter concluded by saying that if more Chinese were employed by the Council a big sum of money would be saved.

S.M.F.

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S.M.F.

2 Per Cent Raise In Rates To Balance Budget Mooted

Further Slashing Of Expenses Said To Be Recommended

With these two facts as a preface, the budget for the next fiscal year, prepared during the past several months by the department heads and administrative officials of the S.M.C. will then be tabled for discussion.

Mr. Sterling Pomeroy, Secretary General of the Council, pointed out recently during the course of interviews with The Ottawa Press that the Government is about the lowest taxed city in the world. Various sections of the community, he said, are clamoring for more schools, for parks, more fire and more that. The only way to satisfy all these demands, he said, is to raise the tax rate and pay for what they want.



1. The exchange allowance to foreign members of the Municipal staff which this year cost the S.M.C. around \$1,000,000;
2. The money spent in maintaining the Municipal Orchestra;
3. The annual expenses of supporting the Russian Regiment of the S.V.C.;
4. The staggering increase in the expenditures of the Police Force which this year cost the Council some 1,000,000.

Opposition to the proposed rate increase was expressed by a group of concerned public organizations, including the State Senate's Consumer Action Committee, which has been studying the issue since last November. The committee will report its findings to the Senate in June.